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Weekly Contributions
Latin America Division, ORE, CIA
14 February 1950

CURRENT DEVELOPMENTS

GENERAL: Many Latin American countries which depend mainly upon a single export product have been adversely affected by declining markets and falling world prices (p. 2).

CENTRAL AREA: In Venezuela, government tolerance of the iron mines strike may encourage a petroleum strike (p. 2).

SOUTHERN AREA: In Bolivia, the possibility of withdrawal of the army's support of the government jeopardizes the continuance of the civilian administration (p. 3). In Uruguay, the strike of the Communist-dominated wool workers' union paralyzes the wool industry (p. 3). In Chile, despite the end of a series of strikes, political and economic difficulties continue to beset the González Videla government (p. 3).

SPECIAL SUBJECTS

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The Current Situation in Mexico. 8

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(CIA Working Paper)

11 February 1950

1. GENERAL: Adverse Effects of Declining Markets and World Prices
Recent developments have again demonstrated the vulnerability of those Latin American countries whose economic stability depends to a major extent upon a single export product. It is true that the major coffee countries (Brazil, Colombia, El Salvador, etc.) -- some of which fit in the above category -- are now benefiting from high world prices. In other one-product countries, however, declining markets and prices have had serious repercussions. In Bolivia, for example, successive declines in the price of tin have substantially curtailed mining operations; the resulting reduction of national income and loss of foreign exchange have curtailed foreign purchasing and lowered the standard of living. In Chile, the already unfavorable economic situation has been further impaired by declining copper prices; labor difficulties and growing unrest have resulted. Ecuador's inability to dispose of its exportable surplus of rice at favorable prices not only deprives that country of sorely needed foreign exchange, but constitutes also a further financial burden through constantly mounting carrying and warehousing charges. Although Venezuela has not as yet felt any pinch, the decision of the British seriously to curtail dollar purchases of petroleum, and of US companies to reduce petroleum imports into the US must inevitably result in financial constriction for the Venezuelan government.

2. VENEZUELA: Strike in Iron Mines May Encourage Petroleum Strike
The intention of the Venezuelan government not to interfere in the strike of 1500 workers of the Iron Mines Company of Venezuela (a Bethlehem subsidiary) became apparent when the Minister of Labor, José Rojas Contreras, described the strike as strictly a labor dispute. The strike, which began 6 February 1950, aims at wage increases and improvement of sanitary and transportation conditions. The government's handling of this strike is significant in view of the labor negotiations now pending in the petroleum industry. Under terms of the collective contracts in force between the oil companies and the oil workers' unions, a bargaining period at the close of which the clauses governing wages and commissaries may be renegotiated, ends this month. Although the unions have had difficulty in organizing their bargaining machinery (D/LA Wkly, 31 Jan 50), they appear determined to press for more favorable terms. The companies will undoubtedly, in view of the recent general outback of production, resist wage increases, and may try to avoid any negotiations.

D/LA estimates that, because of the anticipated opposition of the oil companies to any concessions and the encouraging precedent of non-intervention by the government in the current iron strike, a strike in the petroleum industry is a distinct possibility. The

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attitude of the Venezuelan government is uncertain; by tolerating the iron strike it has to some extent limited its freedom of action; but a distinction could undoubtedly be drawn that would, in the government's eyes, justify suppression of a petroleum strike should such a policy be considered expedient.

3. BOLIVIA: President Unable to Form Coalition Cabinet

President Urrutia's formation of a new cabinet of essentially one party (PUSC) emphasizes the continuing weakness of his government as well as its increased dependence on army support. The Liberals and Social Democrats have been unwilling to enter the administration because of mutual distrust and rivalry existing between them and the PUSC and because they hope to avoid any share of the blame for the country's deteriorating economic conditions. The failure of the president's third attempt in six months to form a "democratic" coalition cabinet is of greater seriousness at this time because of an army statement that it would not tolerate another one-party cabinet. The president's inability to comply with the army's demands may, therefore, cause the army to withdraw its support from the present administration and make the continuance of civilian government in Bolivia even more dubious.

4. URUGUAY: Strike of Communist-Dominated Wool Workers' Union

The current strike of Uruguay's wool graders illustrates the production-sabotage capabilities of strategically placed Communist unions. In this case, the union seems merely to have taken advantage of the strong market conditions prevailing at the peak of the wool season to demand a thirty-percent wage increase. But the strike has paralyzed Uruguay's vital wool industry and could be quite damaging to Uruguay's current economic situation, which depends so largely on wool sales to the US as a source of dollar exchange. It may be that in a period of war or other national emergency the Uruguayan government would find means to limit such work-stoppages if not to prevent them. The present strike, however, seems likely to be prolonged.

5. CHILE: Strikes End But Troubles Persist

Chile's 12-day wave of strikes has ended, but the basic economic problems which touched off the strikes remain unsolved and are further complicated by political repercussions which threaten the rather precarious stability of the González Videla government. Although the workers have accepted promises that their demands will be considered and have agreed to return to their jobs, they continue to be dissatisfied with their economic position and will probably press for better living standards. González Videla has been forced to adopt a more conciliatory attitude by the resignation of the coalition cabinet over the labor situation and its replacement by one composed largely of Radical members. Meanwhile, political parties have taken advantage of the situation to press their demands, adding to a serious economic situation a deteriorating political one.

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Although political realignments and possibly a new coalition may result, D/LA estimates that the prospects for attaining political harmony are dim, and therefore little real progress in resolving Chile's economic difficulties can be expected. D/LA further estimates that Gonzalez Videla will probably be able to maintain himself [redacted] but that serious labor and political problems will probably make his position increasingly difficult.

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The Current Inter-American Situation

(Summary -- The invocation of the Rio treaty (for the second time since it came into effect) at the request of Haiti and the Dominican Republic should provide a clearer indication of its effectiveness in settling disputes of this nature. Though ill feeling continues to exist among several Latin American countries, there has been some improvement recently in this regard. In general, Latin America continues to support US world policies, and, although its feelings of neglect by the US (especially along economic lines) have not been entirely dissipated, they have been assuaged.

-- Inter-American solidarity has improved somewhat within the past few months, and if this condition can be maintained over a considerable period of time, the US security position in the Western Hemisphere will be enhanced.)

Intra-Hemisphere Issues

OAS and inter-American treaties: The most significant inter-American event of the past three months was the invocation of the Rio treaty at the request of Haiti and the Dominican Republic and the resultant sending of an OAS committee to investigate the situation in the Caribbean area. This second recourse to the treaty followed the pattern established by the COAS in the Costa Rican-Nicaraguan dispute, and once again the decision to use the treaty received the unanimous support of the Council members qualified to vote. As a result, the effectiveness of the Rio treaty will probably be strengthened. D/LA believes that this action on the part of the OAS has at least temporarily alleviated the tensions prevailing in the Caribbean.

There have been no new ratifications of the Rio treaty or of the Pact of Bogotá, though the Guatemalan government plans to present the Rio treaty to the next legislative session. With regard to the Charter of the OAS - the fundamental document of the inter-American system - Brazil and Honduras are expected shortly to deposit their instruments of ratification (which would bring the number of ratifying states to five), while most of the other Latin American countries are planning to initiate the ratification process within the next few months. The expected increase in the number of states ratifying the Charter (especially should this number include the major American republics), and the anticipated successful application of the Rio treaty in the troubled Caribbean area should benefit inter-American solidarity and enhance the US security position in the Western Hemisphere.

Relations among American states: Revolutionary changes in government or charges of intervention in internal affairs made by some nations against others, particularly in the Caribbean, continue to cause strained relations

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between certain members of the OAS. The situation has eased somewhat recently, however, as a result of OAS action and the gradual weakening in the position of the militant Latin American democracies against recognizing rightist revolutionary governments. Bolivia's resumption of relations with Venezuela, and Chilean-Guatemalan-Uruguayan recognition of the Arias régime in Panama, indicate a trend toward unanimity on the recognition problem.

Extra Hemisphere Issues

UN and specialized agencies: Latin American countries continue to support the US on matters relating to its struggle with the USSR in the UN. However, on other matters (especially if the issues concerned are of particular interest to Latin America), these nations continue to follow an independent line as evidenced in the last session of the General Assembly when two resolutions which have little chance of implementation and which were opposed by the US (regarding Nationalist China's charges against the USSR and the internationalization of Jerusalem) were adopted with considerable Latin American support.

Latin American republics continue to regard the UN specialized agencies as sources of help in developing their economies, but many differences between these countries and the US on certain economic matters dealt with by these agencies remain unresolved. However, renewed efforts on the part of the US may gradually iron out some of these difficulties. To the extent that these efforts succeed, Latin American attitudes may become less obstructive to the full realization of US international economic policy objectives.

Relations with nations outside the Western Hemisphere: Spain: The US decision to support a UN resolution leaving open to each power the decision to restore normal diplomatic relations with Spain will probably result in its adoption at the next GA session. D/LA expects that the overwhelming majority of Latin American nations will support such a move.

USSR: There has been no change in the status of diplomatic relations between Russia and the five Latin American countries which maintain representatives in Moscow. The increasing intensity of the anti-Communist campaign in some of these nations, however, may eventually cause a break. None is expected to exploit its relations with the USSR to the detriment of US security interests.

China: Mexico has withdrawn its diplomatic representatives to the Chinese Nationalist government, and Ecuador has been considering a similar move. Though it is expected that at least a majority of Latin American nations will wait upon US action before extending recognition to the Peiping government, the complications brought about in the UN due to the Soviet attitude on Nationalist China may possibly cause some of them to vote for the ousting of the UN Nationalist Chinese representatives.

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Support of important US foreign policies: The Latin American governments continue to support the US in its cold war with the USSR and to realize the importance of ECA, the Atlantic Pact, and the Military Defense Assistance Act (MDAA). These nations are eager to receive the technical assistance envisaged in the Point Four program, but are worried about the possibility of competing economies being established in the colonial areas of the world as a concomitant feature of that program. Though their feelings concerning US neglect of hemisphere matters in favor of other areas have not been entirely dissipated, the recent Havana meeting and the projected meeting in Rio de Janeiro of US chiefs of missions have caused favorable reactions throughout Latin America. These meetings, coupled with recent visits of high US Government officials to that area, are interpreted by Latin Americans to be an indication of renewed interest in hemisphere affairs on the part of the US government; and, insofar as our southern neighbors are convinced that we have not forgotten them or their problems in the midst of our preoccupation with Europe and the Far East, this will contribute toward strengthening continental solidarity.

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The Current Situation in Mexico

(Summary -- The Alemán administration is in a stable position as capabilities of political opposition have declined in recent months. Unfavorable events in labor have lessened the administration's tight control of that element. The economic situation has been improving steadily. The military continues to support the civil administration. Subversive capabilities have declined. Mexico's trade agreements are increasing in number and scope, and relations with foreign countries remain cordial.

-- US security interests have been affected favorably by the decline in Communist political capabilities and by general improvement in the economic situation, and unfavorably by the administration's difficulties in controlling labor. There is a possibility that Argentina's "grass roots" friendship campaign in Mexico might adversely affect US security interests.)

Political

During the last three months, the stability of the Alemán administration has been further consolidated. Favorable factors include continued disintegration of the left-wing oppositionist Partido Popular, a pledge of army support to the idea of subordination of military to civil authorities, and the government's success in disrupting plans for a Marxist unity conference by publicizing an alleged plot to overthrow the government (see Subversive). The government was well supported by the congress which, during the last session, enacted all of the legislation sponsored by the administration. Considering the lack of effective opposition to the governing group, D/LA estimates that the Alemán administration will remain stable during coming months.

Economic

The end of 1949 and beginning of 1950 mark a noted improvement in the Mexican economic situation. The only important unfavorable factor is the public debt, which remains high and requires about one-fourth of the national budget for servicing. The stabilization of the peso at 8.65 to the dollar -- an extremely low exchange rate discouraging imports and encouraging exports -- has resulted in a favorable trade balance for 1949 for the first time since 1943. Other favorable factors in 1949 were: abundant harvests (except for corn); increased mining production, due chiefly to the absence of labor troubles; advances in development of petroleum resources, including contracts with private oil companies for exploration and limited development and completion of twice as many

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wells during 1949 as in 1948. It is estimated that the current government budget will show a surplus; and gold, silver, and foreign exchange holdings of the Bank of Mexico have increased from US\$78.8 million in June 1949 to \$132.7 million at the end of December. (The latter figure was before repayment of \$22 million to the US Treasury as a portion of its stabilization commitments.)

Private enterprise has been encouraged in Mexico by the signing of contracts with private oil companies, the government's decision to leave the insurance business to private enterprise (as evidenced by the sale of the government insurance company to private interests), and by the apparent stability of the exchange rate; private investment, both US and Mexican, in the development of Mexican industry is now increasing. The economic situation looks favorable for the beginning of 1950 for all except importers, the latter being exceptions because of the definite downward trend in imported goods.

Labor

Unfavorable developments have predominated in Mexican labor during the past three months both from the standpoint of the Mexican government and US security interests.

It is true that Mexican labor has shown a sympathetic attitude toward the London trade union meeting; that there have been signs of growing favor -- both within trade unions and in political circles -- for unification of non-Communist labor in a single Mexican confederation; that labor opposition to Alemán has been weakened by his assurance that there would be no change in the liberal Federal Labor Law while he is president; and that the government has dealt successfully with strikes or strike threats in electric power, sugar, and the telephone system.

On the unfavorable side, however, have been left-wing UGOCM's organizational success in four additional states; the beginning of a new Sinarquista (pro-clerical, anti-US) labor and farm worker movement; and the filing of a new rash of strike notices with the Ministry of Labor. Furthermore, government and police tactics in quelling the Mexico City taxi-drivers' strike

as even pro-administration groups have expressed their condemnation of police tactics.

D/LA estimates that, while recent labor developments have been in the main unfavorable, the administration still retains its ability to control labor.

Alemán may be expected to grant some concessions to the left-wing groups to avoid costly strikes.

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Military

Continued army support and loyalty contributes to the maintenance of stability in the Mexican government. It is believed that this situation will prevail through the 1952 elections, as indicated by recent evidences that the army will continue to consider itself subordinate to civilian authority. This implied non-support of any military aspirant to the presidency lessens the possibility of political unrest originating from a military source.

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International

Mexico remains a strong supporter of inter-American and international organizations. The election of Luis Quintanilla to the chairmanship of the Council of the Organization of American States not only gives Mexico greater prestige but also increased authority, particularly when the council acts as the organ for consultation under the Rio Treaty. Recent official statements by President Alemán and acting Foreign Minister Tello reaffirmed Mexico's support of continental solidarity against the Soviet bloc and of the use of existing international machinery for the peaceful settlement of disputes (the latter in reference to the present Caribbean situation).

Argentina seems to be expanding its friendship campaign by making efforts to win the good will of Mexican states. Heretofore, the program has been directed at the Federal Government and has met with little success, due in part to lack of popular support but largely to an unsympathetic Mexican press.

Press reaction to the change in US policy toward the Franco regime was one of approval except by the extreme left. The Mexican Foreign Office, however, expressed indifference. D/LA estimates that Mexico's independent course with regard to Spain is not likely to undergo any change in the immediate future.

and as the Spanish cause is one for which it has had little sympathy, it will not be prone to hasten in the wake of the American example.

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